

PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0860

MEMORANDUM

November 20, 1989

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF APPEALS (BROWN) *MCB*
DIVISION OF ADMINISTRATION (SEWELL) *EAT*
DIVISION OF ELECTRIC AND GAS (BULECZA-BANKS) *JW RT*

RE : DOCKET NO.: 891203-GU

CASE: PROPOSED REVISION TO RULE 25-7.0131, F.A.C., REGARDING
REGULATORY ASSESSMENT FEES FOR GAS UTILITIES, MUNICIPALS, AND
DISTRICTS

AGENDA: 12/05/89 - CONTROVERSIAL AGENDA - PARTIES MAY PARTICIPATE

PANEL : FULL COMMISSION

CRITICAL DATES: NONE

ISSUE AND RECOMMENDATION SUMMARY

ISSUE 1: Should the Commission amend Rule 25-7.0131, Florida Administrative Code, to increase the rate at which the regulatory assessment fee is calculated for investor-owned natural gas utilities from one-eighth of one percent to three-eighths of one percent of gross operating revenue derived from intrastate business (excluding sales for resale)?

RECOMMENDATION: Yes. In order to fund the Commission's projected operating budget for the next fiscal year, and to adhere to the legislative directive of section 350.113(3) which states that, "regulatory fees assessed by the Commission . . . shall, to the extent practicable, be related to the cost of regulating such type of regulated company", the fee rate should be increased.

DOCUMENT NUMBER-DATE

11319 NOV 20 1989

FPSC-RECORDS/REPORTING

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ISSUE 2: Should the Commission propose an amendment to Rule 25-7.0131 which sets a regulatory assessment fee rate of one-fourth of one percent of gross operating revenues for gas municipals and gas districts now subject to assessment for safety regulation?

RECOMMENDATION: Yes. The Commission should propose an assessment fee rate of one-fourth of one percent for gas districts and municipals.

ISSUE 3: Should the Commission propose an amendment to Rule 25-7.0131 which incorporates by reference new regulatory assessment fee return forms designed to reflect changes in the 1989 statutes and this rule, which now include gas municipals and gas districts as entities obligated to pay regulatory assessment fees?

RECOMMENDATION: Yes. The Commission should propose incorporation of the new forms.

ISSUE 4: Should the Commission adopt the amendments to Rule 25-7.0131 as proposed if no requests for hearing or comments are made?

RECOMMENDATION: Yes. The Commission should adopt the amendments as proposed if no comments or requests for hearing are made.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission amend Rule 25-7.0131, Florida Administrative Code, to increase the rate at which the regulatory assessment fee is calculated for investor-owned natural gas utilities from one-eighth of one percent to three-eighths of one percent of its gross operating revenue derived from intrastate business (excluding sales for resale)?

RECOMMENDATION: Yes.

STAFF ANALYSIS: In order to fund the Commission's projected operating budget for the next fiscal year, and to more adequately adhere to the prescription found in section 350.113(3) that fees should, ". . . to the extent practicable be related to the cost of regulating such type of regulated company," the Commission needs to raise its regulatory assessment fee rate for investor-owned gas utilities from one-eighth of one percent to three-eighths of one percent. This increase will more closely match fees collected to regulatory costs. The attached table (Attachment I) demonstrates that for many years fees assessed and collected from investor-owned gas utilities have not matched the costs associated with their regulation, even though fees were assessed at the maximum allowable rate. During the 1989 session, the Legislature increased the maximum allowable rate to one-half of one percent to assist the Commission in correcting the discrepancy between fees and costs.

When estimated revenues for 1990+91, based upon information submitted by the utilities, are matched against estimated regulatory costs, the result indicates that the Commission will be able to balance fees and costs with an assessment rate below the maximum. Staff therefore recommends that Rule 25-7.0131(a) be amended to reflect the three-eighths of one percent assessment rate.

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ISSUE 2: Should the Commission proposed an amendment to Rule 25-7.0131 which sets a regulatory assessment fee rate of one-fourth of one percent of gross operating revenues for municipals and gas districts now subject to assessment for safety regulation?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Section 366.14, Florida Statutes (1989), authorizes the Commission to assess fees to defray the costs of regulation against any utility subject to its jurisdiction. While gas municipals and districts have been subject to the Commission's jurisdiction under the "Gas Safety Law" for many years, they have never been required to pay regulatory assessment fees to the Commission. Subsection (3) of section 366.14, Florida Statutes, now makes it clear that gas municipals and gas districts shall pay assessment fees corresponding to the cost of the regulation they undergo.

In order to fund the Commission's operating budget for the next fiscal year, and to adhere to the prescription found in section 350.113(3) that fees should ". . . to the extent practicable be related to the cost of regulating such type of regulation company," the Commission needs to set the regulatory assessment fee rate for gas municipals and gas districts at one-fourth of one percent, the maximum rate allowable under 366.14(3). The attached table demonstrates that with fees collected at that rate the Commission will be able to more closely match its costs to the fees collected.

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ISSUE 3: Should the Commission propose an amendment to Rule 25-7.0131 which incorporates by reference new regulatory assessment fee return forms designed to reflect changes in the 1989 statutes and this rule, which now include gas municipals and gas districts as entities obligated to pay regulatory assessment fees?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Staff has prepared new regulatory assessment fee forms (see Attachment II) which reflect the proposed changes to the regulatory assessment fee Rule 25-30.120, F.A.C. These forms will be incorporated by reference in the rule as required by section 120.54(8), Florida Statutes, and Department of State Rule 15-1.005

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ISSUE 4: Should the Commission adopt the amendments to Rule 25-7.0131 as proposed if no requests for hearing or comments are made?

RECOMMENDATION: Yes.

STAFF ANALYSIS: If no comments or requests for hearing are received, the amendments may be filed for adoption with the Secretary of State.

MCB:kp

Attachment

3374G

FLORIDA PUBLIC SERVICE COMMISSION
REVENUE & COST COMPARISON USING PROPOSED RATE CHANGES

(F-3) 11/15/89

MAXIMUM ASSESSMENT RATE	COMMUNICATIONS	WATER & SEWER	RAILROAD	ELECTRIC		GAS			TOTAL ASSESSMENT FEES	TOTAL REGULATORY COSTS	ASSESSABLE REVENUES	
				INVESTOR- OWNED	MUNICI- PALITIES	REG	INVESTOR- OWNED	MUNICIPALS			DISTRICTS	TOTAL
	1/8 OF 1% *	4 1/2% *	N/A	1/8 OF 1% *	1/64 OF 1% *	1/64 OF 1% *	1/2 OF 1% *	1/4 OF 1% *	1/4 OF 1% *			
1983 (1983-84)												
Assessable Revenue	\$3,953,231,200	\$81,152,160	\$91,604,400	\$5,364,675,200	\$1,111,308,000	\$442,137,600	\$329,349,600			\$10,472,458,960	17%	
Assessable Rate	1/8 of 1%	2 1/2%	1/4 OF 1%	1/16 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%					
Assessable Fee	\$3,816,539	\$2,028,804	\$229,811	\$3,352,922	\$173,642	\$49,084	\$411,687	\$10,081,689				
Regulatory Cost	\$3,338,223	\$2,829,313	\$172,668	\$5,139,200	\$134,598	\$46,285	\$957,283		\$12,617,578			
Cost to Revenue Less 6% Trf	0.1163%	3.7090%	0.2005%	0.1019%	0.0129%	0.0111%	0.3092%		0.1282%			
1984 (1984-85)												
Assessable Revenue	\$3,456,995,200	\$94,812,000	\$145,340,400	\$6,064,160,000	\$1,115,379,200	\$514,566,400	\$352,948,000			\$11,744,282,000	17%	
Assessable Rate	1/8 of 1%	2 1/2%	1/6 OF 1%(A)	1/8 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%					
Assessable Fee	\$4,321,244	\$2,370,380	\$242,254	\$7,580,200	\$174,278	\$80,401	\$441,186	\$15,209,843				
Regulatory Cost	\$4,313,705	\$2,984,540	\$114,109	\$3,655,072	\$95,723	\$32,889	\$834,350		\$12,030,388			
Cost to Revenue Less 6% Trf	0.1327%	3.3488%	0.0835%	0.0641%	0.0091%	0.0068%	0.2515%		0.1090%			
1985 (1985-86)												
Assessable Revenue	\$3,871,676,000	\$108,272,400	\$112,956,000	\$6,795,708,000	\$1,326,451,200	\$570,169,600	\$347,170,400			\$13,132,483,600	17%	
Assessable Rate	1/8 of 1%	2 1/2%	1/8 OF 1%	1/8 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%					
Assessable Fee	\$4,839,595	\$2,786,810	\$141,195	\$8,494,635	\$207,258	\$89,089	\$433,963	\$16,912,545				
Regulatory Cost	\$4,501,853	\$3,293,990	-0-	\$4,239,545	\$111,726	\$38,570	\$1,480,969		\$13,666,653			
Cost to Revenue Less 6% Trf	0.1237%	3.2565%		0.0664%	0.0090%	0.0072%	0.4538%		0.1187%			
1986 (1986-87)												
Assessable Revenue	\$3,885,320,800	\$126,529,120		\$6,667,177,200	\$1,342,252,800	\$584,761,600	\$291,228,000			\$12,897,269,520	-2%	
Assessable Rate	1/8 of 1%	2 1/2%		1/12 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%					
Assessable Fee	\$4,856,651	\$3,163,228	-0-	\$5,555,981	\$209,727	\$91,369	\$364,835	\$14,240,991				
Regulatory Cost	\$4,269,912	\$4,226,869	-0-	\$4,723,452	\$123,857	\$42,388	\$1,286,651		\$14,593,049			
Cost to Revenue Less 6% Trf	0.1169%	3.5539%	(B)	0.0754%	0.0098%	0.0077%	0.4488%		0.1284%			

(A) Average Revenues assessed for 1/1/84 - 6/30/84 at 1/4 of 1% and 7/1/84 - 12/31/84 at 1/8 of 1%.

(B) Rail Transportation Sunset, October 1985.

(C) Assessment rate of 1/12 of 1% for 1/8's effective 1986.

(D) Assessment rate of 1/8 of 1% for 1/8's effective 1989.

(E) Proposed Assessment rates of 4 1/2% for Water & Sewer, 1/8 of 1% for Gas, 1/8,
and 1/4 of 1% for Gas Municipals & Districts effective 1990.

* Revenue assessment rates fractions are converted into decimals as follows:

0.3750% = 3/8 of 1%	0.1667% = 1/6 of 1%	0.0625% = 1/16 of 1%
0.2500% = 1/4 of 1%	0.1250% = 1/8 of 1%	0.0156% = 1/64 of 1%
	0.0833% = 1/12 of 1%	2.5000% = 2 1/2%
		4.5000% = 4 1/2%

FLORIDA PUBLIC SERVICE COMMISSION
REVENUE & COST COMPARISON USING PROPOSED RATE CHANGES

(F-3) 11/15/89

ASSESSABLE REVENUES

MAXIMUM ASSESSMENT RATE	COMMUNICATIONS	WATER & SEWER	RAILROAD	ELECTRIC		GAS		TOTAL ASSESSMENT FEES	TOTAL REGULATORY COSTS	ASSESSABLE REVENUES	
				INVESTOR- OWNED	MUNICI- PALITIES	INVESTOR- OWNED	MUNICIPALS			TOTAL	% IN- CREASE
	1/8 OF 1% *	4 1/2% *	N/A	1/8 OF 1% *	1/64 OF 1% *	1/64 OF 1% *	1/2 OF 1% *	1/4 OF 1% *	1/4 OF 1% *		
1987 (1987-88)											
Assessable Revenue	\$3,663,152,000	\$127,277,360		\$6,856,030,000	\$1,320,275,200	\$594,041,600	\$322,552,800			\$12,004,129,760	0%
Assessable Rate	1/8 of 1%	2 1/2%		1/12 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%				
Assessable Fee	\$4,578,940	\$3,181,934	-0-	\$5,713,359	\$206,293	\$92,944	\$403,191		\$14,176,661		
Regulatory Cost	\$5,137,648	\$4,892,892	-0-	\$4,937,042	\$129,303	\$44,464	\$1,228,126		\$16,369,475		
Cost to Revenue Less GR Trf	0.1492%	4.0897%		0.0766%	0.0104%	0.0080%	0.4051%		0.1352%		
1988 (1988-89 ACTUAL)											
Assessable Revenue	\$3,945,364,000	\$135,825,760	\$0	\$7,149,400,000	\$1,458,201,600	\$650,265,600	\$293,814,400			\$13,632,872,160	6%
Assessable Rate	1/8 OF 1%	2 1/2%		1/12 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%				
Assessable Fee	\$4,931,705	\$3,395,644	-0-	\$5,957,834	\$227,844	\$101,604	\$367,268		\$14,981,899		
Regulatory Cost	\$5,828,494	\$5,283,524	-0-	\$4,688,906	\$251,506	\$251,506	\$1,226,731		\$17,370,667		
Cost to Revenue Less GR Trf	0.1572%	4.0756%		0.0686%	0.0183%	0.0411%	0.4442%		0.1356%		
1989 (1989-90 Estimate)											
Assessable Revenue	\$4,079,720,000	\$128,960,720		\$7,114,628,000	\$1,425,254,400	\$653,913,600	\$330,328,800			\$13,732,806,320	1%
Assessable Rate	1/8 OF 1%	2 1/2%		1/8 OF 1%	1/64 OF 1%	1/64 OF 1%	1/8 OF 1%				
Assessable Fee	\$5,999,450	\$3,224,818	-0-	\$8,893,286	\$222,496	\$102,174	\$412,911		\$17,954,735		
Regulatory Cost	\$6,135,118	\$5,886,680	-0-	\$5,152,373	\$281,163	\$281,163	\$1,371,778		\$19,108,275		
Cost to Revenue Less GR Trf	0.1600%	4.8561%		0.0770%	0.0210%	0.0457%	0.4418%		0.1480%		
1990 (1990-91 Estimate)											
Assessable Revenue	\$4,240,800,000	\$115,297,822		\$7,424,786,400	\$1,500,172,800	\$682,048,000	\$349,333,377	\$67,246,843	\$70,995,786	\$14,410,679,428	5%
Assessable Rate	1/8 OF 1%	**** 4 1/2%		1/8 OF 1%	1/64 OF 1%	1/64 OF 1%	3/8 OF 1%	1/4 OF 1%	1/4 OF 1%		
Assessable Fee	\$5,381,000	\$5,188,366	-0-	\$9,293,483	\$231,381	\$107,129	\$1,310,000	\$168,115	\$52,489	\$21,651,963	
Regulatory Cost	\$6,425,289	\$6,171,495	-0-	\$5,308,453	\$289,680	\$289,680	\$1,230,994	\$158,028	\$49,340	\$19,923,459	
Cost to Revenue Less GR Trf	0.1612%	5.6944%		0.0760%	0.0205%	0.0452%	0.3749%	0.2500%	0.2500%	0.1471%	
	(E)	(E)		(E)				(E)	(E)		

(A) Average Revenues assessed for 1/1/84 - 6/30/84 at 1/4 of 1% and 7/1/84 - 12/31/84 at 1/8 of 1%.

(B) Rail Transportation Sunset, October 1985.

(C) Assessment rate of 1/12 of 1% for 1/8's effective 1986.

(D) Assessment rate of 1/8 of 1% for 1/8's effective 1989.

(E) Proposed assessment rates of 4 1/2% for Water & Sewer, 3/8 of 1% for Gas, 1/8, and 1/4 of 1% for Gas Municipals and Districts effective 1990.

(1) Revenue assessment rates fractions are converted into decimals as follows:

0.3750% = 3/8 OF 1%	0.1667% = 1/6 OF 1%	0.0625% = 1/16 OF 1%
0.2500% = 1/4 OF 1%	0.1250% = 1/8 OF 1%	0.0156% = 1/64 OF 1%
	0.0833% = 1/12 OF 1%	2.5000% = 2 1/2%
		4.5000% = 4 1/2%

**** THE ASSESSMENT RATE OF 2 1/2% WAS APPLIED AGAINST 1/2 OF THE 1990 ASSESSABLE

REVENUE FOR THE FIRST SIX MONTHS OF 1990 AND 4 1/2% FOR THE LAST SIX MONTHS.

INVESTOR-OWNED NATURAL GAS UTILITIES
 REGULATORY ASSESSMENT FEE RETURN
 FLORIDA PUBLIC SERVICE COMMISSION

FOR PSC USE ONLY	
	0601001
\$ _____	003001
\$ _____	P
\$ _____	0601001
\$ _____	004010
\$ _____	I

STATUS:
 ACTUAL RETURN _____
 ESTIMATED RETURN _____

PERIOD COVERED:
 JAN. 1 - JUN. 30, 19____
 JUN. 30 - DEC. 31, 19____
 JAN. 1 - DEC. 31, 19____

F.E.I. NO. : _____
 TELEPHONE NO. : _____
 CONTACT PERSON: _____

LINE NO.	ACCOUNT CLASSIFICATION	INTRASTATE AMOUNTS
1.	<u>GAS SERVICE REVENUES:</u>	
2.	RESIDENTIAL SALES (480)	\$ _____
3.	COMMERCIAL SALES (481)	_____
4.	INDUSTRIAL SALES (481)	_____
5.	OTHER SALES TO PUBLIC AUTHORITIES (482)	_____
6.	INTERDEPARTMENTAL SALES (484)	_____
7.	TOTAL SALES TO ULTIMATE CONSUMERS	\$ _____
8.	SALES FOR RESALE (483)	_____
9.	TOTAL NATURAL GAS SERVICE REVENUES	\$ _____
10.	REVENUES FROM MANUFACTURED GAS	_____
11.	TOTAL GAS SERVICE REVENUES:	\$ _____
12.	<u>OTHER OPERATING REVENUES:</u>	
13.	INTRACOMPANY TRANSFERS (485)	\$ _____
14.	FORFEITED DISCOUNTS (487)	_____
15.	MISCELLANEOUS SERVICE REVENUES (488)	_____
16.	REVENUE FROM TRANSPORTATION OF OTHERS' GAS (489)	_____
17.	SALES OF PRODUCTS EXTRACTED FROM NATURAL GAS (490)	_____
18.	REVENUE FROM NATURAL GAS PROCESSED BY OTHERS (491)	_____
19.	INCIDENTAL GASOLINE AND OIL SALES (492)	_____
20.	RENT FROM GAS PROPERTY (493)	_____
21.	INTERDEPARTMENTAL RENTS (494)	_____
22.	<u>OTHER GAS REVENUES (495):</u>	
23.	PURCHASED GAS ADJUSTMENT OVERUNDER RECOVERIES	_____
24.	CONSERVATION COST RECOVERY OVERUNDER RECOVERIES	_____
25.	UNBILLED REVENUES	_____
26.	OTHER (SPECIFY)	_____
27.	<u>PROVISION FOR RATE REFUND (496):</u>	
28.	PIPELINE REFUNDS	_____
29.	OTHER REFUNDS	_____
30.	TOTAL OTHER OPERATING REVENUES	\$ _____
31.	TOTAL GAS OPERATING REVENUES	\$ _____
32.	<u>ADJUSTMENTS: (SPECIFY)</u>	
33.	_____	\$ _____
34.	_____	_____
35.	_____	_____
36.	TOTAL ADJUSTMENTS	\$ _____
37.	REVENUES SUBJECT TO REGULATORY ASSESSMENT FEE	\$ _____
38.	<u>REGULATORY ASSESSMENT FEE DUE*</u>	
39.	3/8 or 1% of LINE 37 (0.00375)	\$ _____
40.	LESS: APPROVED PRIOR-PERIOD OVERPAYMENT	_____
41.	LESS: PAYMENT FOR JAN. 1 - JUN. 30 PERIOD	_____
42.	NET REGULATORY ASSESSMENT FEE DUE	\$ _____
43.	PENALTY FOR LATE PAYMENT	_____
44.	INTEREST FOR LATE PAYMENT	_____
45.	TOTAL AMOUNT DUE	\$ _____

* AS PROVIDED FOR IN SECTION 350.113 (F.S.), THE MINIMUM ANNUAL FEE IS \$25.

I, the undersigned owner/officer of the above-named utility, have read the foregoing. Under the penalties of perjury, I declare that, to the best of my knowledge and belief, the above is a true and correct statement of gross revenues derived from intrastate business for the period indicated.

COMPANY OFFICIAL: _____ TITLE: _____ DATE: _____
 (Signature)

**GAS MUNICIPALS AND GAS DISTRICTS
REGULATORY ASSESSMENT FEE RETURN
FLORIDA PUBLIC SERVICE COMMISSION**

FOR PSC USE ONLY

0601002
\$ _____ 003001
P
0601002
004010
\$ _____ I

STATUS:

ACTUAL RETURN _____
ESTIMATED RETURN _____

PERIOD COVERED:

JAN. 1 - JUN. 30, 19____
 JUN. 30 - DEC. 31, 19____

F.E.I. NO. : _____

TELEPHONE NO. : _____

CONTACT PERSON: _____

LINE NO.	ACCOUNT CLASSIFICATION	INTRASTATE AMOUNTS
1.	GAS SERVICE REVENUES:	\$ _____
2.	OTHER OPERATING REVENUES:	\$ _____
3.	OTHER GAS REVENUES:	\$ _____
4.	TOTAL GROSS REVENUES:	\$ _____
5.	LESS:	
	a) SALES FOR RESALE:	\$ _____
	b) SALES FOR ELECTRIC GENERATION TO ELECTRIC COOPERATIVES, MUNICIPALS, AND INVESTOR-OWNED UTILITIES:	\$ _____
6.	REVENUES SUBJECT TO REGULATORY ASSESSMENT FEE:	\$ _____
7.	REGULATORY ASSESSMENT FEE DUE* [1/4th of 1% of LINE 6 (0.0025)]	\$ _____
8.	LESS: APPROVED PRIOR-PERIOD OVERPAYMENT	\$ _____
9.	NET REGULATORY ASSESSMENT FEE DUE	\$ _____
10.	PENALTY FOR LATE PAYMENT	\$ _____
11.	INTEREST FOR LATE PAYMENT	\$ _____
12.	TOTAL AMOUNT DUE	\$ _____

* AS PROVIDED FOR IN SECTION 350.113 (F.S.), THE MINIMUM ANNUAL FEE IS \$25.

I, the undersigned owner/officer of the above-named utility, have read the foregoing. Under the penalties of perjury, I declare that, to the best of my knowledge and belief, the above is a true and correct statement of gross revenues derived from intrastate business for the period indicated.

COMPANY OFFICIAL: _____ TITLE: _____ DATE: _____
(Signature)

MEMORANDUM

November 17, 1989

TO: DIVISION OF APPEALS (BROWN)
FROM: DIVISION OF RESEARCH (BRITTON, HOPPE) *CB gmb* *MAB by gmb*
SUBJECT: ECONOMIC IMPACT STATEMENT FOR PROPOSED REVISIONS TO RULE
25-7.0131, FAC, REGULATORY ASSESSMENT FEES FOR GAS UTILITIES,
GAS MUNICIPALS, AND SPECIAL GAS DISTRICTS

SUMMARY OF THE RULE

Existing Commission Rule 25-7.0131, FAC, Regulatory Assessment Fees (RAFs) for Investor-Owned Gas Utilities, sets the RAFs payable by investor-owned gas utilities at one-eighth of one percent of intrastate gross operating revenues, with a minimum RAF of \$25, in accordance with Chapter 350.113, FS. RAFs are due semiannually each January 30 and July 30 for the preceding semester. The utility may: (a) remit the entire amount of the fee due, or (b) remit an amount which the utility estimates is the full fee due, or (c) receive a 30-day extension of the due date from the Commission.

Should the investor-owned utility (IOU) remit less than 90 percent of its full RAF due, the balance of the fee shall be due on or before the 30th day from the due date and shall include interest of 12 percent per annum. If said utility receives a 30-day extension of its due date the utility shall remit a charge, in addition to the RAF, of 12 percent per annum.

Proposed revisions to Commission Rule 25-7.0131, FAC, would become effective January 1, 1990, and would comprise increasing the RAF for investor-owned gas utilities from one-eighth to three-eighths of one percent of intrastate gross operating revenue. In addition, each municipal gas utility and special gas district would pay a RAF equal to one-fourth of one percent of its intrastate gross operating revenue, excluding gas sales for resale between public utilities, municipal gas utilities, and special gas districts, in accordance with Chapter 366.14, FS.

DIRECT COSTS TO THE AGENCY

The Commission may incur additional costs due to a possible increase of rate case applications in response to the adoption of the proposed rule revisions. These costs would be associated solely with IOUs and therefore are expected to be minimal. Costs should also increase marginally with respect to gas municipals and gas districts because of collecting, analyzing, and storing the financial data from these new assessees.

Offsetting the minimal increases in costs would be an increase in assessment fees collected that would have a balancing effect on the Commission budget for gas utility regulation.

COSTS AND BENEFITS TO THOSE PARTIES DIRECTLY AFFECTED BY THE RULE

The parties directly affected by the proposed rule revisions would be the gas IOUs, their shareholders, gas municipals, gas districts, and gas ratepayers. Until subsequent rate cases, increased RAFs would be

absorbed by each IOU as an additional expense and would decrease the level of net operating income. As the new RAFs are included in rates, the increased expenses would be passed on to ratepayers in the form of higher gas rates. Municipal gas utilities and special gas districts would be impacted by Commission RAFs for the first time. However, these increased fees may be passed directly to their customers without Commission approval.

Based on projected revenues, the estimated RAF expense for calendar year 1990 would be approximately \$1,310,000 for all gas IOUs, with a net increase of \$873,333, and \$220,604 for municipals and gas districts. Since the increased RAF rates on IOUs would not immediately be passed through in higher rates, the utilities' taxable income would decrease. This additional deduction at the 34 percent marginal corporate tax rate would result in a net RAF impact on the IOUs of \$864,600.

In the long run, increased RAFs would be passed on to ratepayers in the form of higher rates. Offsetting the minor increase in gas prices would be the benefits to ratepayers of the Commission maintaining effective regulation of the gas industry.

The Florida Gas Industry. In order to assess the economic impact of the proposed rule revisions a data request was sent to all affected IOUs, gas municipals, and special gas districts. Twelve utilities responded to the survey. Nine utilities indicated they anticipated increasing gas rates in response to the proposed increases in RAFs; the majority of these utilities indicated increases would be allocated uniformly among customer classes (i.e., residential, industrial). Those taking exception indicated the allocation would depend upon the impact among customer classes.

Although commercial/industrial customers comprised less than 25 percent of total customers for all respondents, the average of total sales to commercial customers was roughly 66 percent, ranging from as low as 29 percent to as high as 96 percent. Moreover, according to survey responses, several gas utilities face the possibility of losing customers to gas substitutes. Southern Gas indicated they may lose one industrial customer with estimated 1989 purchases of \$6,981,887, or between 69 percent and 72 percent of total gas sales. Gainesville Gas indicated the possible loss of approximately 60 percent of total sales to fuel oil, wood chips, and to the discontinuation of the use of gas for waste incineration. City Gas Company indicated possible lost sales to coal, liquefied petroleum, and oil. Lake Apopka could lose all five industrial customers to alternative fuel sources, and the City of Sunrise estimated the possible loss of 300 to 400 new residential customers who would have the option of using electricity. The remaining respondents either did not know or did not expect the proposed rule revisions to result in customer losses.

Gainesville Gas, City Gas Company, and the City of Sunrise responded that they anticipated a decrease in the growth rate of gas sales in the years to come. The remaining nine utilities indicated they did not expect the growth rate to change.

All utilities surveyed indicated they would incur minimal or no additional costs when compiling the necessary information to comply with the RAFs.

IMPACT ON SMALL BUSINESSES

The impact on the five respondents classified as small

businesses as referred to in Chapter 120, FS (1987), would be similar to the impact on larger gas utilities. The magnitude of the impact, although unquantifiable, would depend on the percentage of total gas sales purchased by industrial users, which are more likely to switch to gas substitutes, and on the number of competitors with close energy substitutes.

IMPACT ON COMPETITION

As higher gas RAFs are passed on to ratepayers, higher marginal gas rates could encourage industrial users to substitute electricity, coal, wood chips, or oil for gas as a primary energy source. The gas utilities most susceptible to this loss of revenue would be those with high volumes of sales to industrial users and with a large number of competitors with close energy substitutes. Future growth prospects could also be hindered by new industrial and residential construction opting for other forms of energy, such as electricity, due to the higher gas rates.

Competitors with close energy substitutes would benefit the most as a result of the proposed rule revisions. The magnitude of the benefits would depend on the price competitiveness and the substitutability of the energy forms they sell relative to gas.

IMPACT ON EMPLOYMENT

The proposed rule revisions could theoretically decrease employment in the Florida gas industry. The magnitude of the decrease would depend on the volume of sales lost to alternative forms of energy

and to anticipated growth in the gas industry in the years to come. As stated above, the utilities most susceptible to a loss of sales, and therefore a decrease in the level of employment, would be those with high volume of sales to industrial users and with a large number of competitors with close energy substitutes. However, the level of general employment in the State of Florida would be unlikely to change because the gas industry accounts for a relatively insignificant percentage of total employment.

METHODOLOGY

A data request was sent to IOUs, gas municipals, and special gas districts. In addition, a workshop was held on September 28, 1989. Standard cost-benefit analysis was performed. The effects on competition and employment were derived by partial and general equilibrium analyses.

CB:jn/3533R

1 25-7.0131 Regulatory Assessment Fees; Gas Utilities, Gas
2 Municipals, and Gas Districts.

3 (1) As applicable and as provided in s. 350.113, F.S. (1985)
4 and s. 366.14, F.S. 1989), each gas utility, municipal, or gas
5 district shall remit a fee based upon its gross operating
6 revenue. This fee shall be referred to as a regulatory assessment
7 fee and each gas utility shall pay a regulatory assessment fee in
8 the amount of one-eighth of one percent of its gross operating
9 revenues derived from intrastate business. Regardless of the
10 gross operating revenue of a company, a minimum annual regulatory
11 assessment fee of \$25 shall be imposed.

12 (a) Each investor-owned gas utility shall pay a regulatory
13 assessment fee in the amount of three-eighths of one percent of its
14 gross operating revenue derived from intrastate business,
15 excluding sales for resale between public utilities, municipal gas
16 utilities, and gas districts or any combination thereof.

17 (b) Each municipal or gas district shall pay a regulatory
18 assessment fee in the amount of one-fourth of one percent of its
19 gross operating revenue derived from intrastate business,
20 excluding sales for resale between public utilities, municipal gas
21 utilities, and gas district or any combination thereof.

22 (2) Regulatory assessment fees are due each January 30 for
23 the preceding period or any part of the period from July 1 until
24 December 31, and on July 30 for the preceding period or any part
25 of the period from January 1 until June 30. The regulatory
26 assessment fees shall be remitted with the Commission's Regulatory
27 Assessment Fee Return form PSC/EAG 3, PSC/EAG - or PSC/EAG -
28 (Rev. - - -) which are hereby incorporated by reference.
29 Each utility, municipal, and gas district shall have up to and
30 including the due date in which to:

31 (a) Remit the total amount of its fee, or

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struck-through type are deletions from existing law.

1 (b) Remit an amount which the utility, municipal, or gas
2 district estimates is its full fee, or . . .

3 (c) Seek and receive from the Commission a 30-day extension
4 of its due date.

5 (3) Where the utility, municipal, or gas district remits less
6 than its full fee pursuant to subsection (2)(b) of this rule, the
7 remainder of the full fee shall be due on or before the 30th day
8 from the due date and shall, where the amount remitted was less
9 than 90% of the total regulatory assessment fee, include interest
10 as provided by subsection (5)(b) of this rule.

11 (4) Where a utility, municipal, or gas district receives a
12 30-day extension of its due date pursuant to subsection (2)(c) of
13 this rule, then the utility, municipal, or gas district shall
14 remit a charge in addition to the regulatory assessment fee, as
15 set out in s. 350.113 (5), F.S. (1985).

16 (5) The delinquency of any amount due to the Commission from
17 the utility, municipal, or gas district pursuant to the provisions
18 of s. 350.113, F.S. (1985) and this rule, begins with the first
19 day after any date established as the due date either by operation
20 of this rule or by an extension pursuant to this rule.

21 (a) A penalty, as set out in s. 350.113, F.S. (1985) shall
22 apply to any such delinquent amounts.

23 (b) Interest at the rate of 12% per annum shall apply to any
24 such delinquent amounts.

25 Specific Authority: 350.127(2), P.S., 366.14, F.S. (1989)

26 Law Implemented: 350.113, F.S., 366.14, F.S. (1989)

27 History: New 5/18/83, formerly 25-7.131, Amended 10/16/86.

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